



SEATTLE EMPLOYEES' RETIREMENT SYSTEM

NEWSLETTER

FOR ACTIVE AND RETIRED MEMBERS FALL 96

Retirement System Well Funded

The December 31, 1995, Actuarial Valuation of the Retirement System depicts a very good financial picture. With over one billion dollars in assets we have only a 39 million dollar unfunded liability. This liability should be paid off over the next four years leaving the Retirement System fully funded. The funding was greatly helped in 1995 when we experienced a 23% or 178 million dollar return on investments. When we are fully funded, 2.67% of the total 16.94% combined employee/employer contribution rate will be available for other purposes.

Beneficiary Retirement Options under Review

All retirement allowances are guaranteed for the life of the retiree regardless of the length of retirement. At the time of retirement the member may elect to modify his retirement allowance to provide for a beneficiary. The Retirement Board is currently considering adding to, and modifying the existing options available to members who retire in the future, as follows:

1. Level Income Option

This option allows a member who retires prior to the normal Social Security Age to receive retirement benefits that are modified so that the combined income from the Retirement System and Social Security is level throughout the member's lifetime. This means the System's payments are higher before the Social Security payments begin and then lower after they begin. Although the theory is that the member's income stream will be level, often it is not. This is because Social Security, and often the System as well, makes post retirement adjustments that upset the original "leveling out" feature of this option. This option would appeal to a member who retires early but still has significant financial obligations such as a mortgage, college tuition, or children still living at home.

(continued)

2. Joint and Survivor with Pop-up.

This is a variation of the joint and survivor form of payment. Under the "pop-up" option, if the beneficiary dies before the member, the member's benefit payment pops up to what it would have been had the member not elected the joint and survivor feature. Under the normal joint and survivor option, the member elects a reduced monthly benefit in order to provide protection to a beneficiary. When the beneficiary dies before the member, the protection is of no further value, yet the member's benefit is still reduced. In a sense, the member has paid for something that will not be received. Under the pop-up version, the member's benefit is restored once the protection is no longer needed. The reduction for the joint and survivor with pop-up option is greater than for the normal joint and survivor option, again to cover the financial cost of providing additional benefits.

3. Lump Sum Payment

This option would allow members a partial lump sum payment at retirement which is equivalent to either the member's accumulated contributions with interest, or of one-half of this amount. The members normal monthly pension would be reduced by an amount to actuarially compensate for the funds withdrawn. This option would appeal to a member who wishes to purchase a retirement home or has other needs for cash at the time of retirement, or the retiree may be confident he has the ability to earn more money than the pension reduction will cost him.

Please send any comments you may have on these options to Roger A. Howeler in the Retirement office (mail stop, 12-03-01).

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